



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

APR 21 2011

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

CERTIFIED MAIL # 7009 3410 000099681689
RETURN RECEIPT REQUESTED

Corporation Service Company
Registered Agent for Verdeo, Inc.
2711 Centerville Rd., Suite 400
Wilmington, Delaware 19808

Re: Violations of Renewable Fuel Standard Regulations
Notice of Violation: File No. AED/MSEB - # 7885

Dear Mr. Registered Agent:

The United States Environmental Protection Agency (EPA) commenced an investigation of Verdeo, Inc. (Verdeo) to determine compliance with Section 211(o) of the Clean Air Act (Act), 42 U.S.C. § 7545(o), and the Renewable Fuel Standard Regulations issued thereunder, found at 40 C.F.R. Part 80, Subpart K (RFS1 Regulations.)

Section 211(o) of the Act was enacted as part of the Energy Policy Act of 2005 (the Energy Act), and requires EPA to implement a program to increase the volume of renewable fuels that are used in motor vehicles in the U.S. The Energy Act requires EPA to set annual renewable fuel standards, and to include a credit trading program in its regulations to facilitate compliance with these standards. EPA implemented this statutory mandate by promulgating regulations that allow obligated parties to comply with the annual renewable fuel standard through the purchase of renewable identification numbers (RINs), which are unique numbers generated to represent a volume of renewable fuel. The RFS1 Regulations specify who can generate RINs and under what conditions, how RINs may be transferred from one party to another, and the appropriate value of RINs generated from different types of renewable fuel. The RFS1 Regulations are expected to reduce dependence on foreign sources of petroleum, increase domestic sources of energy, and help transition to alternatives to petroleum in the transportation sector.

The RFS1 Regulations at 40 C.F.R. § 80.1152(c) set forth the reporting requirements for any party that owns RINs. 40 C.F.R. § 80.1152(c)(1) requires RIN owners to submit quarterly RIN transaction reports that include specific information about each RIN transaction, including the name and company identification number of the submitter's trading partners. 40 C.F.R. § 80.1152(c)(2) requires RIN owners to submit a quarterly gallon-RIN activity report that summarizes RIN activities for the reporting period.

The RFS1 Regulations also prohibit any person from generating more than one RIN for the same volume of renewable fuel. 40 C.F.R. § 80.1101(o) defines a RIN as a unique number generated to represent a volume of renewable fuel. Multiple RINs generated for the same volume of renewable fuel are not unique numbers representing the volume of renewable fuel, and are improperly generated RINs. 40 C.F.R. § 80.1160(b)(1) prohibits any person from improperly generating a RIN (i.e. generating a RIN for which the applicable renewable fuel volume was not produced). 40 C.F.R. § 80.1131(a) provides that an improperly generated RIN is invalid, and 40 C.F.R. § 80.1160(b)(2) prohibits any person from creating or transferring to another person a RIN that is invalid under 40 C.F.R. § 80.1131.

EPA's investigation revealed that Verdeo violated the reporting requirements at 40 C.F.R. § 80.1152(c) by failing to submit RIN transaction reports and RIN activity reports for the last quarter of 2008, all four quarters of 2009, and the first two quarters of 2010.

EPA issued Notices of Violations (NOVs) to Northern Biodiesel, Inc. and Lake Erie Biofuels, LLC alleging that these companies generated invalid RINs. The Northern Biodiesel, Inc. NOV alleges that this company generated RINs for fuel that it did not import into the United States. The Lake Erie Biofuels, LLC NOV alleges that this company generated RINs for the same volume of renewable fuel that was repeatedly imported into the United States, exported to Canada, and re-imported into the United States. Enclosure A sets forth a list of the RINs that EPA alleges are invalid. Northern Biodiesel, Inc. and Lake Erie Biofuels, LLC transferred the RINs identified in Enclosure A to Verdeo, Inc. Verdeo then transferred some of the RINs identified in Enclosure A to other parties. Based upon this information, EPA alleges that Verdeo violated 40 C.F.R. § 80.1160(b)(2) by transferring invalid RINs to another person.

This NOV is issued to Verdeo pursuant to Sections 205 and 211 of the Act, 42 U.S.C. §§ 7524 and 7545, for the violations identified above. Sections 205 and 211 of the Act authorize EPA to assess a civil penalty of up to \$37,500 for every day for each violation, plus the economic benefit or savings resulting from each violation. In order to determine an appropriate penalty for each violation, EPA considers: the gravity of the violation; the economic benefit or savings (if any) resulting from the violation; the size of your business; your history of compliance with the Act; actions taken by you to remedy the violation and prevent future violations; the effect of the penalty on your ability to continue in business; and other matters as justice may require. This NOV does not create any rights or waive any of your obligations under the Act, but rather is for the purpose of notifying you of the violations.

The EPA attorney assigned to this matter is Jeffrey A. Kodish. Please contact him regarding this NOV.

Jeffrey A. Kodish, Attorney-Advisor
U.S. Environmental Protection Agency
Mobile Source Enforcement Branch
OECA/AED/Western Field Office (8MSU)
1595 Wynkoop Street
Denver, CO 80202-1129

We encourage early settlement of matters such as this. If we cannot settle this matter promptly, we reserve the right to file an administrative complaint or refer this matter to the United States Department of Justice with a recommendation to file a civil complaint in Federal district court.

We are offering you an opportunity to confer with us about the violation alleged in this NOV. The conference will give you an opportunity to present information on the alleged violation, any efforts you have taken to comply, and the steps you will take to prevent future violations. You may contact Jeffrey A. Kodish at (303) 312-7153 or by e-mail: Kodish.Jeff@epa.gov to request such a conference. This request should be made as soon as possible, but no later than 10 business days after your receipt of this NOV. Any conference should be held within 30 calendar days of your receipt of this NOV. By offering the opportunity for a conference, or participating in one, EPA does not waive or limit its right to any remedy available under the Act.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Phillip A. Brooks".

for Phillip A. Brooks, Director
Air Enforcement Division

Cc: Matthew Jansel, Co-CEO
Sergy Ptushkin, Co-CEO

Enclosure A to Verdeo, Inc.

Notice of Violation

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